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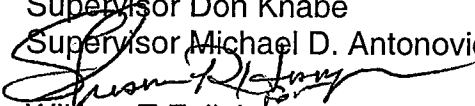
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November 8, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Water Supply Special Session Update

On October 16, 2007, your Board directed the Chief Executive Officer to communicate to the State Legislature your Board's position to support a hybrid approach to the State's water reliability and sustainability issues, including water supply and water quality.

This memorandum summarizes the County's position with regard to Governor Schwarzenegger's September 11, 2007 proclamation calling the Legislature into extraordinary session based on your Board's direction, the content and status of legislation, and discussions with the Department of Public Works (DPW), our Sacramento advocates, and the Legislative Strategist.

Given Southern California's reliance on water supplies from outside of the region, the solution to the issues being addressed by the Governor must be comprehensive in nature and include programs designed for Delta sustainability, flood protection, restoration of the Delta ecosystem, increased water storage through enhanced surface storage, conveyance, groundwater recharge, an emphasis on local storage solutions, and the promotion of water recycling, conservation, and other water management technologies.

The critical nature of this Special Session relates to current drought conditions within the State and a pending Federal Court ruling that current water pumping in the Sacramento and San Joaquin River Delta violates Federal law by degrading the environment and jeopardizing the existence of the Delta Smelt, an endangered fish species. A final decision by the Federal court is expected to severely impact the flow of water from Northern California to Southern California.

Partisan differences exist with regard to the priorities and proposed spending levels outlined in the approaches to funding new programs and facilities through the issuance of general obligation bonds. The Governor and Republican leaders have included \$5.1 billion for the design, acquisition, and construction of three dams (Colusa/Glenn, Fresno/Madera, and Contra Costa counties) as part of their \$9.1 billion water supply reliability plan. Democratic leaders have authored a \$6.8 billion bond package that includes several elements of the Republican bond package, funded at different levels, including delta sustainability, water supply reliability, conservation, and pollution cleanup. The major differences in the Democrat's version include allocations of \$1.1 billion for groundwater protection and \$250 million for water recycling programs. The Democratic bond package does not include funding for major surface storage projects.

Short Term and Long Term Strategies

Based on the original principles outlined in our October 5, 2007 Sacramento Update and the October 16, 2007 direction from your Board, **the County supports the passage of water supply legislation to increase the reliability of State and local water supplies with appropriate infrastructure and equitable funding levels** and has taken positions on legislation consistent with the following principles:

- **Local Water Reliability and Conservation:** Preserve existing supplies and promote local supply reliability and conservation through various approaches including demand reduction, recycling, and groundwater recharge.
- **Protection and Improvement of Water Quality:** Protect and improve water quality including drinking water, groundwater, stormwater, and urban runoff.
- **New Water Supplies:** Create new water supplies using a variety of approaches including preservation of water by recycling, enhanced storage capacity through seismic retrofit and modification of existing structures and increased utilization of spreading grounds and debris basins.
- **Conveyance and Storage:** Provide for a reliable Statewide stormwater capture, storage, and conveyance system to deliver water supplies to Southern California.

Allocate funding for large storage and conveyance systems based on sound planning, engineering, and economic analysis.

- **Bond Funding and Appropriations:** Authorize a significant level of water supply bond funding and appropriations consistent with the above principles.
- **Equitable Allocation Criteria for Regional Projects:** Allocate competitive grant funds primarily on the basis of population to State-recognized Integrated Regional Water Management regions.
- **Delta Sustainability:** Support short term and long term actions that create a sustainable Delta ecosystem that will create a healthy, durable estuary and reliable water supply.

Guided by these principles and your Board's direction to seek a compromise solution to the State's water crisis through the incorporation of beneficial elements of each plan, our Sacramento advocates will work with Senate and Assembly leadership, bill authors, and the Administration to **pursue a strategy that includes both short term and long term plans that result in a comprehensive solution to the numerous issues related to water supply reliability and Delta sustainability.**

Short term initiatives should focus on plans to respond to Delta emergencies, near term actions related to ecosystem improvements, and programs to protect and improve the reliability and quality of water supply from the Sacramento-San Joaquin Delta. According to the Governor's office, twenty five million Californians rely on the Delta for clean, safe water. Water from the Delta also irrigates hundreds of thousands of acres of Central Valley farmland, the backbone of California's \$32 billion agricultural industry.

In 2006, the Governor directed the Delta Vision Blue Ribbon Task Force to develop a sustainable Delta management plan. The Task Force will present its vision for sustainability by January 1, 2008. The Task Force will follow with a Strategic Plan to implement that vision by October 31, 2008. The initiatives associated with the plans for the Delta will include investments in conservation, water recycling, water storage, conveyance facilities and increased regional water self-sufficiency. The Statewide deployment of these water management tools will provide the State with the ability to ensure sufficient environmental flows in the Delta along with providing water supply reliability to those dependent on that supply.

The long term plan should consider a thorough evaluation of the State's future surface storage needs along with development of alternative ways to export water from the Delta. Due to the critical need for surface storage in regulating water flow to the Delta and the potential to enhance local and regional water supplies, the assessment should include a determination of the most strategic location and the appropriate size of such

facilities. Consistent with the County's principles, the process to identify and fund large surface storage and conveyance systems should be based on sound planning, engineering, and economic analysis as well as integration into the State's Water Management System, and other critical criteria. Due to the sizeable investment and time required to construct dams and enhance surface storage capacity, the State must undertake such an evaluation to ensure the highest priority projects are effectively pursued.

Any comprehensive plan put forth by the State should include both short term and long term plans as part of an overall strategy to address the State's water issues. With regard to local programs under the purview of DPW, our Sacramento advocates will continue to pursue funding opportunities for local water supply reliability, groundwater protection, and water recycling programs.

Status of Legislation

As previously reported, there are five bills under consideration by the Senate and five bills under consideration by the Assembly as part of the Water Supply Special Session. There are four key Senate bills, two that address appropriation of funds for previously voter-approved bond issues and the remainder which propose general obligation bond measures to fund new programs and facilities.

The County will work with the Legislature on the bills in the Special Session to: 1) support and/or amend legislation in the Water Supply Special Session to seek a compromise solution consistent with your Board's direction; 2) utilize approaches that consider programs and facilities that meet the criteria of the aforementioned County principles, consistent with sound planning, engineering, and economic analysis as well as integration into the State's Water Management System and other critical criteria; and 3) ensure County-specific concerns are addressed, as outlined in our October 5, 2007 Sacramento Update.

The four key bills are:

SB 2X 1 (Perata) would appropriate a total of \$610.9 million in funding from Proposition 1E, Proposition 84 and Proposition 50 to the Department of Water Resources and the State Department of Public Health for a variety of water projects, particularly related to the Sacramento-San Joaquin Delta. The bill passed the Senate Natural Resources and Water Committee on October 8, 2007 on a partisan vote of 5 to 1, passed the Senate Appropriations Committee on October 9, 2007 on a partisan vote of 10 to 7, and is currently pending a vote on the Senate Floor.

SB 2X 2 (Perata, Machado, Steinberg) as amended on October 8, 2007 would enact the Water Supply Reliability Bond Act of 2008 which would authorize the issuance of

\$6.8 billion in bonds for water supply reliability and environmental restoration if passed by the voters on February 5, 2008 as part of the Statewide Presidential primary election. The bill failed passage on the Senate Floor on a partisan vote of 23 to 12, but was granted reconsideration.

SB 2X 3 (Cogdill and Ackerman) would enact the Water Supply Reliability Bond Act of 2008 which would authorize the issuance of \$9.1 billion in bonds for water supply reliability and environmental restoration if passed by the voters on February 5, 2008 as part of the statewide Presidential primary election. The major difference in the amounts of the two bond measures (SB 2X 2 and SB 2X 3) is the inclusion of \$5.1 billion for three water storage facility development projects in Northern California in SB 2X 3, and funding for Groundwater Protection (\$1.1 billion) and Water Recycling (\$250 million) in SB 2X 2. The bill failed passage in the Senate Natural Resources Committee on October 8, 2007 on a partisan vote of 2 to 4.

SB 2X 4 (Cogdill) would appropriate a total of \$553 million in bond funding from Proposition 1E (2006), Proposition 84 (2006), and Proposition 50 (2002) to the Department of Water Resources for a variety of water projects, particularly related to the Sacramento-San Joaquin Delta. The bill failed passage in the Senate Natural Resources Committee on October 8, 2007 on a partisan vote of 2 to 4.

Consistent with your Board's direction, our Sacramento advocates will continue to work with the Legislature to communicate the County's positions and will issue reports to your Board on the Water Supply Special Session on a weekly basis, or as new information is made available, as part of our Sacramento Updates.

WTF:GK
MAL:IGA:acn

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants